

February 25, 2009

TO: Finance Committee

FM: Herbert L. Pike, Finance Director

RE: **ABAG Financial Support to the Bay Area Council Economic Institute—FY 09-10**

The Bay Area Council Economic Institute (BACEI), formerly Bay Area Economic Forum is a partnership of ABAG and the Bay Area Council (BAC). It was formed in 1988 as a public-private partnership of business, government, university, labor and community leaders to analyze and implement programs to strengthen the region's competitive economy and quality of life. ABAG currently appoints 1/3 of the BACEI Board members and provides a variety of other ongoing support to the BACEI's programs.

The BACEI obtains its funding from a variety of sources, including Bay Area Council, ABAG, grants, contracts and other fund-raising activities. ABAG has been providing financial support to BACEI over the past several years: \$100,000 in FY 02-03, \$70,000 in FY 03-04, \$60,000 in FY 04-05, and \$50,000 annually since FY 05-06.

Attached is a summary of BACEI's major program activities for the past year as well as continuing and new program initiatives going forward.

Staff Recommendation

Continue to work with the BACEI staff and Board of Directors to analyze and implement programs to strengthen the region's economy and competitiveness. Staff is requesting authorization for the FY 09-10 ABAG support to BACEI in the amount of \$50,000.

Attachment



Bay Area Council Economic Institute

The Bay Area Council Economic Institute is a public-private partnership of business, labor, government and higher education that works to support the economic vitality and competitiveness of California and the Bay Area. Its work builds on the twenty-year record of economic analysis and policy leadership of the Bay Area Economic Forum, which merged with the Bay Area Council in January 2008. The Association of Bay Area Governments (ABAG) is a key institutional partner. The Economic Institute also supports and manages the Bay Area Science and Innovation Consortium (BASIC), a partnership of Northern California's leading scientific research institutions and laboratories.

Through its economic and policy research and partnerships, the Economic Institute addresses major issues impacting the competitiveness, economic development and quality of life of the region and the state, including infrastructure, globalization, science and technology, and governance. By providing fact-based economic analysis, and by convening leaders from diverse communities and sectors, the Institute provides the intellectual infrastructure for policy initiatives that impact the competitiveness of the state and regional economies. Recent Institute priorities have included: reforming California's electricity markets; using public-private partnerships to expand California's infrastructure; state budget reform; the re-design of California's international trade and investment programs; human capital; building bridges to key global partners such as China, Canada and India; advancing policies that support technology and business innovation; advancing the Bay Area's leadership in renewable energy technology; bringing new research funds and programs to the Bay Area; and economic education.

The Institute's Board of Trustees, which oversees the development of its products and initiatives, is composed of leaders representing business, labor, government, higher education, science and technology, philanthropy and the community.

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Bay Area Council Economic Institute

2008 – 2009 Program

In 2008 the Economic Institute produced and disseminated number of major analytical reports on the Bay Area's economy and key issues that will impact its future competitiveness. It followed up on these and earlier reports by organizing programs – most specifically with China – designed to showcase Bay Area companies and universities, develop partnerships, and attract investment to the region.

Administratively, the Institute operates with a staff of four, including the President/CEO, a Vice President responsible for its science and technology affiliate BASIC, a coordinator/analyst and an executive assistant. It is continuing to expand its outreach and communications capacity, to reach and support local government leaders, state and federal executive and legislative leaders, Bay Area businesses, labor, universities and civic organizations. The Institute functions as the Bay Area's leading organization for public-private leadership on economic issues across sectors and communities, and as its leading source of fact-based analysis on the regional economy.

The Institute's 2009 program includes production of several major reports on the regional economy and its global competitiveness. In choosing its issues, high priority is being given to the current economic downturn, and to strategies for near-term recovery and long-term competitiveness. Special attention is also being given to industries such as clean tech that have particular promise for regional growth and leadership.

Completed Reports (2008)

Human Capital

In February 2008 the Institute released a report on Human Capital in the Bay Area, assessing the importance of a diverse, educated and flexible workforce to the region's economy, and analyzing the issues that will affect the Bay Area's ability to attract and retain a competitive workforce.

Bay Area Economic Profile

In March the Institute released its 2008 Bay Area Economic Profile report, the sixth in a series produced every other year since 1995. The study, which is widely distributed to business, government, labor, university, civic and other leaders, is produced with support from McKinsey & Company.

International Trade

In September the Institute released the 2008 edition of its report series International Trade and the Bay Area Economy. Produced every other year since 2004, the report assesses trade trends, the importance of trade to the region, and related policy developments.

California High-Speed Rail

In October 2008 the Institute released a report on the economic impacts of bringing high-speed rail to the Bay Area. The project was done under a contract with the California High-Speed Rail Authority, as one of six analyses on major regions of the state. The assessment was widely circulated in advance of the November ballot, where a \$10 billion bond measure to finance the high-speed rail project was approved by voters.

Reports Underway (2009)

Managing Recession

The Institute is working with support from Booz & Company to produce a report on how Bay Area companies are managing through the current recession, and how they are positioning themselves to benefit from an eventual recovery. Approximately sixty interviews with senior executives are underway across a range of industries, with the objective of identifying effective corporate and public policy strategies. Interviews are also being conducted with senior managers of agencies such as SFMuni, BART, the Port of Oakland and San Francisco International Airport, and further interviews are planned with regional government leaders. The report is targeted for release in April.

Mapping the Bay Area's Global Connections

A study on the Bay Area's global linkages is in its final draft and should be ready for release in May. The first effort of its kind in the nation, the report will assess the region's economic and demographic connections to the rest of the world, and present the findings in graphic form. Sponsors include San Francisco International Airport, the San Jose Redevelopment Agency and San Jose State University. A release event will be held in San Jose.

Bay Area Ties to India

A major report on the Bay Area's economic and other ties with India, a successor to the Institute's 2007 report on the Bay Area's ties with China, is nearing completion and will be published in April/May. The product of more than 150 interviews with regional business, government, university and community leaders both here and in India, the report will assess the unique connections between the Bay Area and one of the world's most dynamic economies, and identify both business opportunities and key public policy issues. Release events are planned in San Francisco and Silicon Valley.

Pensions and Health Care

Work has begun to frame and develop an analysis of city and county public employee pension and health care liabilities in California and the Bay Area, and their public policy implications.

Climate Change and Cleantech

Work is also underway, with support from McKinsey & Company, to frame and develop a strategic analysis of the region's clean tech sector, and of strategies to grow the clean tech industry and exercise regional leadership in climate change management.

Bay Area Economic Forecast

The Institute held its second annual Bay Area Economic Forecast conference series, jointly presented with Beacon Economics, in September/October 2008. Half-day programs were held in Oakland (East Bay), San Jose (South Bay) and San Francisco (North Bay). Participants included San Jose Mayor Chuck Reed, former Oakland City Manager Robert Bobb, and ABAG Executive Director Henry Gardner. Detailed sub-regional forecast books were distributed to participants at each event, and a composite regional forecast was distributed electronically to regional leaders including county supervisors, mayors, city council members, and city administrators.

Planning is underway for the third annual Bay Area Economic Forecast series. As with the 2007 and 2008 forecasts, half-day public forums will be held in September/October 2009 in San Jose, Oakland and San Francisco, with documents distributed in both hard copy and electronically.

Other Programs and Activities

Bay Area Science and Innovation Consortium (BASIC)

The Institute supports and manages the Bay Area Science and Innovation Consortium (BASIC), a partnership of the region's five major research universities, its five national laboratories, its non-profit research institutions and many of its leading corporate laboratories. BASIC is currently focusing on strategies to support the Bay Area's competitiveness through innovation. Activities planned for 2009 include a report on the region's role in global innovation networks, now being developed by a sponsored fellow from Stanford's School of Engineering, a Top Ten Innovations awards event, and an assessment of challenges to the region's biotech workforce.

Innovation-Based Economic Development Model

BASIC and the Institute developed an Innovation-Based Economic Development Model under the US Department of Labor's WIRED (Workforce Innovations in Regional Economic Development) grant, that presents proposals for how to update economic development strategies to meet the challenges of 21st Century economic competitiveness. The model, which can be accessed on the Institute's website, will support BASIC's biotech workforce project.

US-China Greentech Summit

The Institute managed the development of the US-China Greentech Summit, held in Shanghai November 13-15, 2008. The project, led by the Bay Area Council and its Chinese partner the

Yangtze Council, followed on the Institute's 2006 report on the Bay Area's economic links with China, *Ties that Bind*, and BASIC's 2007 report on renewable energy research underway at Bay Area federal, university and corporate laboratories. Over 400 Chinese and U.S. participants participated in the event, which was designed to showcase Bay Area and California cleantech capabilities and facilitate US-China partnerships to address climate change. San Francisco Mayor Gavin Newsom keynoted the opening session.

Inbound Chinese Investment

As a follow-up to the conference, the Institute is working to assist several Chinese renewable energy companies with plans to establish headquarters, research and manufacturing operations in the Bay Area. In partnership with ChinaSF, the Institute is playing a facilitating role for communications between the Chinese companies and city and economic development partners in several Bay Area cities and counties. The attraction of Chinese investment, particularly in the renewable energy sector, has particular promise for the region given its strong R&D base, environmental orientation, and historical links to China.

US-China Green Cities Conference

As another follow-on to the Shanghai conference, the Institute is developing a joint Bay Area Council-Asia Society green cities conference, to be held in San Francisco in May. The event will focus on green building policy and design, with a particular focus on Bay Area capabilities.

CalAPEC

The Institute is serving as fiscal agent and spearhead for California's bids to host the 2011 Asia Pacific Economic Cooperation (APEC) Conference, which will be held in the United States. The 2009 conference will be held in Singapore, and 2010 in Tokyo. The host city will receive approximately 20,000 visitors over a one week period, including as many as 23 heads-of-state. Related events would be held throughout the region. San Francisco, Los Angeles, Honolulu and New York have submitted bids to the US Department of State. In addition to the summit, there will also be several opportunities to host high profile ministerial meetings, including the Asia-Pacific region's Trade, Energy and Environment ministers. Efforts to marshal political support are underway with Bay Area Congressional leaders. A decision is expected this summer.

Priority Regional Initiatives

Regional Economic Recovery Plan

The Economic Institute has been designated by California's Business, Transportation and Housing Agency (BT&H) to lead the framing and development of a regional economic recovery workplan, to guide the allocation of both Federal stimulus dollars and economic development funds available to the state over the next two years. Issues to be addressed will include near and medium-term project prioritization and funding, regulatory streamlining to facilitate fund deployment, the business environment, and innovation strategies. The plan, which is due at BT&H by June 1, will be developed in partnership with Bay Area economic development organizations, and interested jurisdictions, businesses, universities and other stakeholders.

Regional Climate Change Management

The Institute is working with the Regional Agencies Joint Policy Committee and the Bay Area's leading business organizations (the Bay Area Council, Silicon Valley Leadership Group and Joint Venture: Silicon Valley Network), to develop a regional strategy for addressing and managing climate change. Under this proposal, the Institute would form a partnership with the Joint Policy Committee to help integrate and focus the diverse climate change initiatives currently underway in the region, with the goal of making the Bay Area the state and national model for regional climate change management, and the acknowledged national and global leader for clean energy technology. As proposed, the project will support the regional agencies in their regulatory role, and leverage private sector, environmental community and labor resources to advance key regional objectives in areas such as land use and transportation, climate change adaptation, information dissemination, and project finance. McKinsey & Company will provide analytical and strategy support, and preliminary discussions have begun for foundation support.